GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:863
ANSWERED ON:22.11.2007
PRICING AND TARIFF STRUCTURE FOR PETROLEUM PRODUCTS
Singh Shri Uday

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has since received the Rangarajan report on pricing and tariff structure for petroleum products;

(b) if so, the details thereof;

(c) whether the Government has since examined the report and propose to take further action in the matter; and

(d) if so, the time by which action will be taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)to(d): Yes, Sir. The Report of the Rangarajan Committee on pricing and taxation of petroleum products was received by the Government on 17.2.2006. The recommendations made in this report can be divided broadly into three groups as under:-

1. On pricing of petrol and diesel:

(i) Shift to a trade parity pricing formula for determining refinery gate as well as retail prices;

(ii) Government to keep at arms length from price determination and to allow flexibility to oil companies to fix the retail price under the proposed formula; and

(iii) Reduce effective protection by lowering the customs duty on petrol and diesel to 7.5%.

2. On pricing of domestic LPG and PDS kerosene:

(i) Restrict subsidized kerosene to BPL families only;

(ii) Raise the price of domestic LPG by Rs. 75/cylinder;

(iii) Discontinue the practice of asking upstream companies to provide upstream assistance, but instead collect their contribution by raising the OIDB cess from the present level of Rs. 1,800/MT to Rs. 4,800/MT; and

(iv) Government meeting the balance cost of subsidy from the budget.

3. On restructuring excise duties:

Shift from the present mix of specific and ad-valorem to a pure specific levy and calibrating the levies at Rs. 5.00/litre of diesel and Rs. 14.75/litre of petrol.
The Committee had recommended that each of the first two sets of recommendations should be implemented as integrated packages.

The Government has accepted the following recommendations of Dr. Rangarajan Committee Report:

(i) Pricing of petrol and diesel on Trade Parity basis which shall be a weighted average of Import Parity and Export Parity prices in the ratio of 80: 20.

(ii) Reduction of custom duty on petrol and diesel from 10% to 7.5%.

(iii) In principle revision to restrict subsidized PDS Kerosene to BPL families only.

Accordingly, the pricing of petrol and diesel was changed from Import Parity to Trade Parity basis (weighted average of import and export parity price in the ratio of 80:20). The custom duty on petrol and diesel was reduced to 7.5% from 10% with effect from 16.6.06.